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AUTO ITALIA HOLDINGS LIMITED

意達利控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 720)

COMPLETION OF THE ACQUISITION OF A TARGET COMPANY AND CONTINUING CONNECTED TRANSACTIONS – THE FRAMEWORK AGREEMENT

COMPLETION OF THE ACQUISITION

Reference is made to the Announcement.

The Board is pleased to announce that Completion took place on 17 February 2023. Upon Completion, Wuhan Junyi has become a subsidiary of the Company and its financial statement is consolidated by the Group.

THE FRAMEWORK AGREEMENT

On 17 February 2023, the Company entered into the Framework Agreement with CTF Automobile in relation to the Automobile Purchases.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CTF Automobile holds 49% of the entire equity interests of Wuhan Junyi, which is a non-wholly owned subsidiary of the Company. CTF Automobile is a substantial shareholder of Wuhan Junyi and hence a connected person at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given the highest applicable percentage ratio (as set out in Rule 14.07 of the Listing Rules) in respect of the Framework Agreement exceeds 5%, and (1) CTF Automobile is a connected person at the subsidiary level; (2) the Board has approved the Framework Agreement and the transactions contemplated thereunder; and (3) the independent non-executive Directors have confirmed that the terms of the Framework Agreement are fair and reasonable and the Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has obtained approval from the Board (including the independent non-executive Directors) regarding the Framework Agreement and the transactions contemplated thereunder and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Framework Agreement are fair and reasonable, and that the Framework Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Framework Agreement is exempt from the circular, independent financial advice and the Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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Term

From the date of the Framework Agreement to 31 December 2025.

Subject matter

Pursuant to the Framework Agreement, there are CTF Automobile Purchases and the Group Automobile Purchases.

Proposed annual caps

The annual cap for the total consideration of the Group Automobile Purchases to be payable by the Group to the CTF Automobile Group for each of the three years ending 31 December 2025 will not exceed RMB52,000,000, RMB50,000,000 and RMB40,000,000 respectively.

The annual cap for the total consideration of the CTF Automobile Purchases to be payable by the CTF Automobile Group to the Group for each of the three years ending 31 December 2025 will not exceed RMB30,000,000.

Pricing policy

The consideration of the Automobile Purchases will be determined after arm's length negotiations with reference to the average market price of the Automobiles quoted by the Independent Third Parties.

For the Group Automobile Purchases, the Group will ensure that that the terms and price of the Automobiles purchased from the CTF Automobile Group to be no less favourable to the Group than such terms and price offered by the Independent Third Parties.

For the CTF Automobile Purchases, the Group will ensure that that the terms and price of the Automobiles sold to the CTF Automobile Group to be more favourable to the Group than such terms and price sold to the Independent Third Parties.

The proposed annual caps above were determined after having taken into account the following factors:

- (a) the projected demand for the Automobiles for the three years ending 31 December 2025; and
- (b) the above pricing policy of each of the Automobile Purchases.

INTERNAL CONTROL

The Group will adopt the following internal control measures in connection with the continuing connected transactions:

- (a) the finance department will regularly examine the relevant pricing terms by collecting the relevant market information, periodically review and compare the historical and current quotations from the Independent Third Parties for purchases or selling the Automobiles (as the case may be) to ensure that the terms of such transactions are fair and reasonable and on normal commercial terms to the Group;

- (b) the finance department will take proper records of the actual transaction amounts and will review the aggregate transaction amounts on a monthly basis. To ensure that the annual caps will not be exceeded, the finance department will alert the management team the aggregate transaction amounts on a continuing basis;
- (c) the Group will implement internal checks to ensure that the procedures of the connected transactions will conform with the internal control system of the Group, the annual caps will be complied with and that pricing is consistent with the principal terms and conditions of the Framework Agreement by random inspection of the pricing terms, payment arrangements and actual transaction amounts;
- (d) the external auditors of the Company will conduct an annual review of the pricing and the transaction volume vis-à-vis the annual caps under the Framework Agreement;
- (e) the audit committee of the Company will review the transactions under the Framework Agreement and recommend any proposals to improve the internal control measures; and
- (f) the independent non-executive Directors will annually review the implementation and enforcement of the requirements and the internal control measures imposed on the Framework Agreement.

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

The CTF Automobile Group has substantial car dealership experience in the PRC. Upon customers' requests for a selected model/type of the Automobiles that the Group may not have, the Group shall be able to source it from the CTF Automobile Group. On the other hand, if the CTF Automobile Group has customers' requests for a selected model/type of the Automobiles that the CTF Automobile Group does not have, the CTF Automobile Group will try to source it from the Group. The Framework Agreement will create synergy between the CTF Automobile Group and the Group. Each of the Group and the CTF Automobile Group will enhance its customer experience by providing effective services. Through the strategic cooperation under the Framework Agreement, the Group and the CTF Automobile Group will be able to leverage on each other's strength to capture more business opportunities.

On the above basis, the Directors (including the independent non-executive Directors) are of the view that the Framework Agreement was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms (including the proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, none of the Directors has material interests in the Framework Agreement. Thus, no Directors were required to abstain from voting on the relevant Board resolution for approving the Framework Agreement and the transactions contemplated thereunder.

INFORMATION ON CTF AUTOMOBILE

CTF Automobile is a company established in the PRC with limited liability, which is principally engaged in investment holding. The CTF Automobile Group is principally engaged in car dealership in the PRC.

As at the date of this announcement, CTF Automobile is wholly-owned by Cheung Hung Development (Holdings) Limited (長虹發展 (集團) 有限公司) (“**Cheung Hung**”). Cheung Hung is owned as to 48.75% by Chow Tai Fook Enterprises Limited (“**CTFEL**”), 48.75% by the Cheng Family and 2.5% by an Independent Third Party. CTFEL is ultimately beneficially owned by the Cheng Family.

INFORMATION ON THE COMPANY

The Company is a company incorporated in Bermuda with limited liability. As at the date of this announcement, the Group is principally engaged in property investment, financial investments and services and life sciences investment.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CTF Automobile holds 49% of the entire equity interests of Wuhan Junyi, which is a non-wholly owned subsidiary of the Company. CTF Automobile is a substantial shareholder of Wuhan Junyi and hence a connected person at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given the highest applicable percentage ratio (as set out in Rule 14.07 of the Listing Rules) in respect of the Framework Agreement exceeds 5%, and (1) CTF Automobile is a connected person at the subsidiary level; (2) the Board has approved the Framework Agreement and the transactions contemplated thereunder; and (3) the independent non-executive Directors have confirmed that the terms of the Framework Agreement are fair and reasonable and the Framework Agreement and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the Framework Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and the Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Company has obtained approval from the Board (including the independent non-executive Directors) regarding the Framework Agreement and the transactions contemplated thereunder and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Framework Agreement are fair and reasonable, and that the Framework Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. As such, pursuant to Rule 14A.101 of the Listing Rules, the Framework Agreement is exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Announcement”	the announcement of the Company dated 28 December 2022 in relation to the acquisition of 51% equity interest in Wuhan Junyi
“Automobiles”	cars and auto parts of the brand Maserati®
“Automobile Purchases”	the CTF Automobile Purchases and the Group Automobile Purchases
“Board”	the board of Directors
“Cheng Family”	family of Dr. Cheng Yu Tung
“Company”	Auto Italia Holdings Limited (意達利控股有限公司*), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 720)
“Completion”	completion of the acquisition of 51% equity interest in Wuhan Junyi
“connected person(s)”	has the meaning ascribed to it under Listing Rules
“CTF Automobile”	運天(中國)投資有限公司 (CTF Automobile (China) Investment Co., Ltd), a company established in the PRC with limited liability
“CTF Automobile Group”	CTF Automobile and its subsidiaries

“CTF Automobile Purchases”	the purchases of the Automobiles by the CTF Automobile Group from the Group
“Directors”	the directors of the Company
“Framework Agreement”	the agreement dated 17 February 2023 entered into between the Company and CTF Automobile in relation to the Automobile Purchases for the three years ending 31 December 2025
“Group”	the Company and its subsidiaries
“Group Automobile Purchases”	the purchases of the Automobiles by the Group from the CTF Automobile Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with the Company or any of its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary shares of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under Listing Rules

“Wuhan Junyi”

武漢駿意汽車銷售服務有限公司 (Wuhan Junyi Cars Sales & Service Company Ltd), a company established in the PRC with limited liability

“%”

per cent.

By order of the Board
AUTO ITALIA HOLDINGS LIMITED
CHONG Tin Lung Benny
Executive Chairman and Chief Executive Officer

Hong Kong, 17 February 2023

As at the date of this announcement, the Board comprises Mr CHONG Tin Lung Benny (Executive Chairman and Chief Executive Officer), Mr HUANG Zuie-Chin, Mr NG Siu Wai and Mr LIN Chun Ho Simon, all of whom are executive Directors; and Mr KONG Kai Chuen Frankie, Mr LEE Ben Tiong Leong and Mr TO Chun Wai, all of whom are independent non-executive Directors.

* *For identification purposes only*